

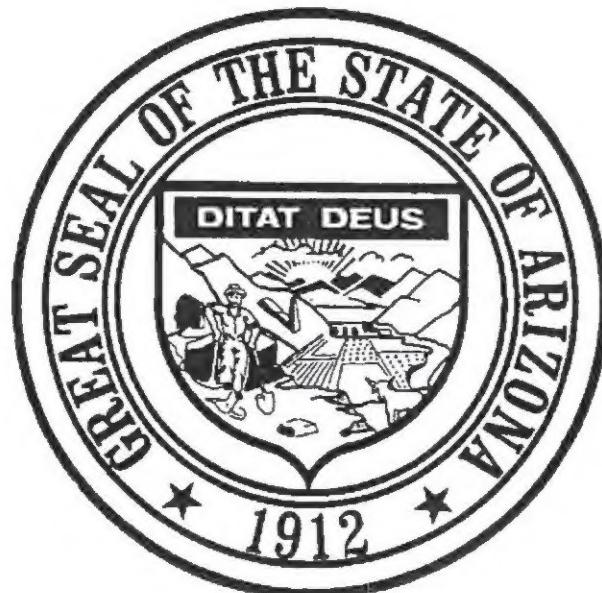
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STATE OF ARIZONA

ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2022



**Katie Hobbs
GOVERNOR**



**PREPARED BY
ARIZONA DEPARTMENT OF ADMINISTRATION
GENERAL ACCOUNTING OFFICE**



**STATE OF ARIZONA
ANNUAL COMPREHENSIVE FINANCIAL REPORT**

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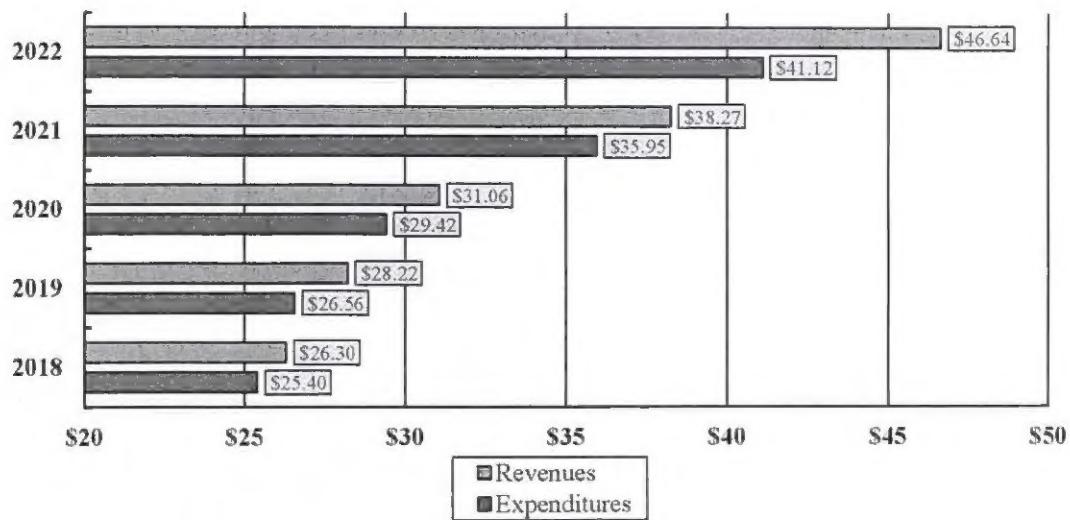
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GENERAL FUND BALANCE

Graph 1 summarizes the General Fund revenues and expenditures for the last five fiscal years. This graph does not include transfer amounts relating to other fund types and other financing sources (uses), which affect the ending fund balance.

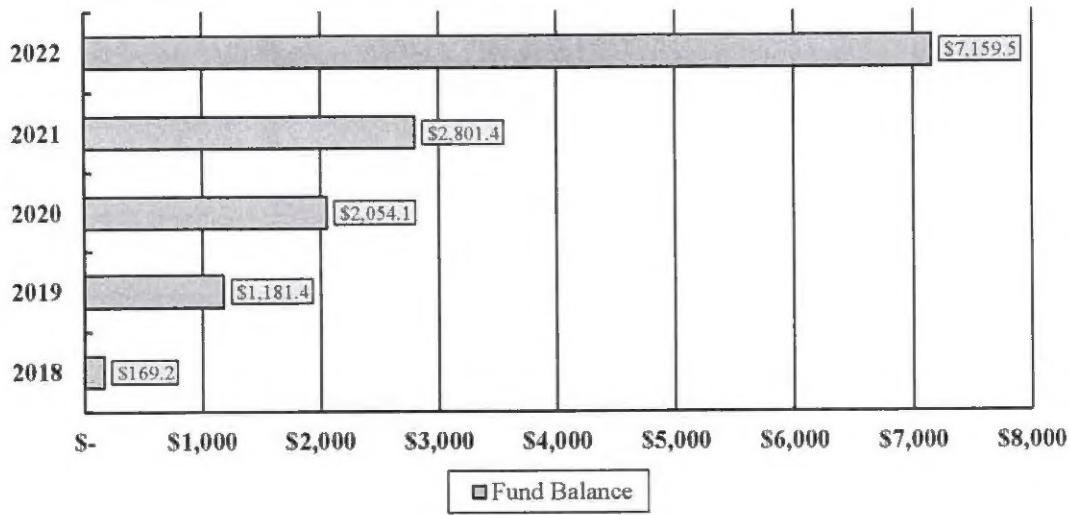
Graph 1
General Fund Revenues and Expenditures for the last 5 fiscal years
(Dollars in billions)



The General Fund ended the June 30, 2022 fiscal year with a total fund balance of \$7.2 billion. This compares to the previous year's total fund balance of \$2.8 billion.

Graph 2 summarizes the General Fund Balance for the last five fiscal years:

Graph 2
General Fund Balance for the last 5 fiscal years
(Dollars in millions)



State of Arizona-Primary Government
Changes in Net Position for Fiscal Years June 30, 2022 and 2021
(bexpressed in thousands)

	Governmental Activities		Business-type Activities		Primary Government Total	
	2022	2021	2022	2021	2022	2021
Revenues:						
Program revenues:						
Charges for services	\$ 1,972,826	\$ 1,665,058	\$ 5,157,675	\$ 4,951,764	\$ 7,130,501	\$ 6,616,822
Operating grants and contributions	27,058,660	23,952,916	3,351,694	10,325,015	30,410,354	34,277,931
Capital grants and contributions	780,045	690,050	76,455	41,836	856,500	731,886
General revenues:						
Sales taxes	10,981,317	9,523,611	130,456	85,891	11,111,773	9,609,502
Income taxes	8,678,628	6,672,112	—	—	8,678,628	6,672,112
Tobacco taxes	287,539	299,821	—	—	287,539	299,821
Property taxes	43,278	42,583	—	—	43,278	42,583
Motor vehicle and fuel taxes	2,497,258	2,502,442	—	—	2,497,258	2,502,442
Other taxes	904,528	769,964	—	—	904,528	769,964
Unrestricted investment earnings	(55,401)	35,056	(83,975)	117,450	(139,376)	152,506
Unrestricted grants and contributions	37,860	33,083	—	—	37,860	33,083
Gain on sale of trust land	663,197	806,188	—	—	663,197	806,188
Loss on in-substance defeasance	(24,475)	—	—	—	(24,475)	—
Miscellaneous revenue	167,051	300,749	91,616	173,400	258,667	474,149
Total Revenues	53,992,311	47,293,633	8,723,921	15,695,356	62,716,232	62,988,989
Expenses:						
General government	1,295,921	1,779,607	—	—	1,295,921	1,779,607
Health and welfare	26,566,010	22,636,105	—	—	26,566,010	22,636,105
Inspection and regulation	249,665	192,692	—	—	249,665	192,692
Education	9,792,491	8,257,299	—	—	9,792,491	8,257,299
Protection and safety	1,935,823	1,891,198	—	—	1,935,823	1,891,198
Transportation	1,143,401	1,094,831	—	—	1,143,401	1,094,831
Natural resources	292,800	279,965	—	—	292,800	279,965
Intergovernmental revenue sharing	4,844,422	4,418,998	—	—	4,844,422	4,418,998
Interest on long-term debt	56,581	95,967	—	—	56,581	95,967
Universities	—	—	6,244,746	5,904,889	6,244,746	5,904,889
Unemployment compensation	—	—	542,802	8,513,331	542,802	8,513,331
Other business-type activities	—	—	1,211,075	1,245,997	1,211,075	1,245,997
Total Expenses	46,177,114	40,646,662	7,998,623	15,664,217	54,175,737	56,310,879
Excess (deficiency) before contributions and transfers	7,815,197	6,646,971	725,298	31,139	8,540,495	6,678,110
Contributions to permanent endowments	—	—	4,490	5,590	4,490	5,590
Transfers	(785,620)	(488,821)	785,620	488,821	—	—
Change in Net Position	7,029,577	6,158,150	1,515,408	525,550	8,544,985	6,683,700
Net Position - Beginning, as restated	34,283,243	28,197,053	3,587,171	2,967,990	37,870,414	31,165,043
Net Position - Ending	\$ 41,312,820	\$ 34,355,203	\$ 5,102,579	\$ 3,493,540	\$ 46,415,399	\$ 37,848,743

For additional information on the difference between fiscal year 2021 ending net position and fiscal year 2022 beginning net position, see Note 8.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets:

The State's investment in capital assets for its governmental and business-type activities as of June 30, 2022 totaled \$34.2 billion, net of accumulated depreciation and amortization. The total primary government increase in capital assets for the current period was 5%, with a 3% increase in capital assets used for governmental activities and a 12% increase for business-type activities. Depreciation and amortization charges of the governmental and business-type activities for the fiscal year totaled \$663.8 million.

Major capital asset activity during the current fiscal year included the following:

- The ADOT started or completed roads and bridges totaling \$497.1 million during the fiscal year.
- The Universities' additions to capital assets totaled \$984.4 million and included projects to provide needed classroom, instructional, collaboration, and office space as well as parking infrastructure to support the growth of academic programs.

For the government-wide financial statement presentation, all depreciable assets were depreciated from the acquisition date to the end of the current fiscal year. Right-to-use lease assets are amortized from the start of the lease date until the end of the current fiscal year. Capital asset purchases of the governmental funds are reported in the fund-level financial statements as expenditures.

Capital assets and right-to-use lease assets for the governmental and business-type activities as of June 30, 2022 and 2021 are presented below (expressed in thousands):

Capital Assets	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Land	\$ 3,811,853	\$ 3,701,497	\$ 301,932	\$ 298,815	\$ 4,113,785	\$ 4,000,312
Buildings	2,561,988	2,521,043	8,619,452	8,026,283	11,181,440	10,547,326
Improvements other than buildings	219,507	222,447	26,012	16,278	245,519	238,725
Equipment	1,008,964	1,005,481	1,939,222	1,836,621	2,948,186	2,842,102
Software and other intangibles	605,459	605,050	163,075	163,075	768,534	768,125
Collections (non-depreciable)	—	—	28,163	28,155	28,163	28,155
Infrastructure	16,882,405	16,699,954	766,983	733,839	17,649,388	17,433,793
Construction in progress	3,974,624	3,799,196	426,408	620,142	4,401,032	4,419,338
Development in progress	9,764	6,358	85,708	77,100	95,472	83,458
Total Capital Assets	29,074,564	28,561,026	12,356,955	11,800,308	41,431,519	40,361,334
Less: accumulated depreciation	(2,538,023)	(2,425,527)	(5,603,260)	(5,265,347)	(8,141,283)	(7,690,874)
Total Capital Assets, Net	\$ 26,536,541	\$ 26,135,499	\$ 6,753,695	\$ 6,534,961	\$ 33,290,236	\$ 32,670,460
Right-to-Use Lease Assets	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Land	\$ 2,167	\$ —	\$ —	\$ —	\$ 2,167	\$ —
Buildings	367,583	—	658,300	—	1,025,883	—
Equipment	—	—	4,643	—	4,643	—
Total Right-to-Use Lease Assets	369,750	—	662,943	—	1,032,693	—
Less: accumulated amortization	(43,471)	—	(69,028)	—	(112,499)	—
Total Right-to-Use Lease Assets, Net	\$ 326,279	\$ —	\$ 593,915	\$ —	\$ 920,194	\$ —

For more detail on beginning net position restatements involving capital assets and right-to-use lease assets, see Note 4.

As provided by GASB Statement No. 34, the State has elected to record its infrastructure assets, which the ADOT is responsible for maintaining, using the modified approach as described in Note 1.H. Assets accounted for under the modified approach include 9,415 center lane miles of roads (22,383 travel lane miles) and 4,927 bridges.

The State manages its roads using the Present Serviceability Rating (PSR), which measures the condition of the pavement and its ability to serve the traveling public. The PSR uses a five-point scale (5 excellent, 0 impassable) to characterize the condition of the roadway. The State's serviceability rating goal is 3.23 for the overall system. The most recent assessment indicated that an overall rating of 3.51 was achieved for fiscal year 2022.

**STATE OF ARIZONA
STATEMENT OF NET POSITION
JUNE 30, 2022
(Expressed in Thousands)**

	PRIMARY GOVERNMENT			COMPONENT UNITS
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL PRIMARY GOVERNMENT	
ASSETS				
Current Assets:				
Cash	\$ 5,525	\$ 479,132	\$ 484,657	\$ 45,989
Cash with U.S. Treasury	—	1,456,517	1,456,517	—
Cash and pooled investments				
with State Treasurer	14,128,734	467,121	14,595,855	500,202
Restricted cash and pooled investments				
with State Treasurer	256,106	—	256,106	—
Cash held by trustee	—	—	—	41,820
Collateral investment pool	107,855	—	107,855	—
Short-term investments	—	297,811	297,811	85,385
Restricted investments held by trustee	—	—	—	1,183
Receivables, net of allowances:				
Taxes	1,253,164	67,953	1,321,117	
Interest	69,726	2,013	71,739	3,230
Leases	9,247	13,958	23,205	1,234
Loans and notes	372	3,310	3,682	61,142
Other	1,933,161	413,509	2,346,670	14,446
Internal balances	65,961	(65,961)	—	—
Due from U.S. Government	1,503,781	294,055	1,797,836	—
Due from local governments	108,901	—	108,901	—
Due from others	434,720	—	434,720	—
Due from component units	12,363	—	12,363	—
Due from primary government	—	—	—	3,428
Custodial securities in safekeeping	135,651	—	135,651	6,822
Inventories, at cost	17,991	23,830	41,821	
Other current assets	20,353	32,363	52,716	858
Total Current Assets	20,063,611	3,485,611	23,549,222	765,739
Noncurrent Assets:				
Restricted assets.				
Cash	42	48,006	48,048	
Cash and pooled investments				
with State Treasurer	1,555,702	—	1,555,702	11,965
Cash held by trustee	69,241	218,938	288,179	22,585
Investments	3,682	—	3,682	—
Investments held by trustee	—	387,675	387,675	1,805
Receivables, net of allowances:				
Leases	1,163,805	192,261	1,356,066	—
Loans and notes	757,636	28,761	786,397	659,318
Other	—	—	—	124,484
Securities held in escheat	78,230	—	78,230	—
Equity interest in joint venture	—	4,993	4,993	—
Investments	—	1,718,282	1,718,282	169,935
Endowment investments	7,065,119	737,903	7,803,022	
Net OPEB asset	123,121	836	123,957	
Other noncurrent assets	—	14,352	14,352	21,229
Capital assets:				
Infrastructure, land, and other non-depreciable	24,652,983	842,211	25,495,194	33,387
Buildings, equipment, and other depreciable,				
net of accumulated depreciation	1,883,558	5,911,484	7,795,042	119,999
Right-to-use lease assets, net of accumulated				
amortization	326,279	593,915	920,194	2,576
Total Noncurrent Assets	37,679,398	10,699,617	48,379,015	1,167,283
Total Assets	\$ 57,743,009	14,185,228	71,928,237	1,933,022

The Notes to the Financial Statements are an integral part of this statement.

(Continued)

STATE OF ARIZONA
STATEMENT OF NET POSITION
JUNE 30, 2022
(Expressed in Thousands)

	PRIMARY GOVERNMENT			COMPONENT UNITS
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL PRIMARY GOVERNMENT	
DEFERRED OUTFLOWS OF RESOURCES				
Related to pensions	\$ 1,951,631	\$ 360,453	\$ 2,312,084	\$ 618
Related to OPEB	183,727	177,289	361,016	38
Loss on debt refundings	46,409	60,869	107,278	25,253
Interest rate swap	—	5,842	5,842	—
Total Deferred Outflows of Resources	2,181,767	604,453	2,786,220	25,909
LIABILITIES				
Current Liabilities:				
Accounts payable and other current liabilities	766,113	274,172	1,040,285	14,268
Payable for securities purchased	—	3,981	3,981	
Accrued liabilities	1,753,291	204,513	1,957,804	3,809
Obligations under securities loan agreements	107,855	—	107,855	
Tax refunds payable	8,203	—	8,203	—
Due to U.S. Government	1,130,954	124,753	1,255,707	
Due to local governments	2,039,870	—	2,039,870	
Due to others	681,772	107,065	788,837	7,066
Due to component units	3,428	—	3,428	—
Due to primary government	—	—	—	12,363
Unearned revenue	2,708,082	462,643	3,170,725	1,279
Current portion of accrued insurance losses	172,092	10,453	182,545	14,357
Current portion of long-term debt	319,629	284,669	604,298	52,206
Current portion of other long-term liabilities	221,608	58,974	280,582	932
Total Current Liabilities	9,912,897	1,531,223	11,444,120	106,280
Noncurrent Liabilities:				
Unearned revenue	59,253	—	59,253	1,654
Accrued insurance losses	364,767	204,109	568,876	216,872
Funds held for others	—	25,196	25,196	—
Net pension liability	2,743,975	1,261,523	4,005,498	2,246
Net OPEB liability	719,659	438,759	1,158,418	159
Long-term debt	1,858,542	4,377,506	6,236,048	411,801
Derivative instrument - interest rate swap	—	5,842	5,842	
Other long-term liabilities	576,784	705,121	1,281,905	6,233
Total Noncurrent Liabilities	6,322,980	7,018,056	13,341,036	638,965
Total Liabilities	16,235,877	8,549,279	24,785,156	745,245
DEFERRED INFLOWS OF RESOURCES				
Related to pensions	770,832	429,198	1,200,030	752
Related to OPEB	392,200	297,239	689,439	14
Related to leases	1,170,820	205,630	1,376,450	4,534
Resources received before time requirements met	—	202,723	202,723	
Gain on debt refundings	42,227	3,033	45,260	—
Total Deferred Inflows of Resources	2,376,079	1,137,823	3,513,902	5,300

The Notes to the Financial Statements are an integral part of this statement.

(Continued)

STATE OF ARIZONA
STATEMENT OF NET POSITION
JUNE 30, 2022
(Expressed in Thousands)

	PRIMARY GOVERNMENT			COMPONENT UNITS
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL PRIMARY GOVERNMENT	
NET POSITION				
Net investment in capital assets	\$ 24,388,905	\$ 2,422,730	\$ 26,811,635	\$ 54,799
Restricted for:				
General government	490,485	—	490,485	—
Health and welfare	1,146,897	—	1,146,897	—
Inspection and regulation	15,112	—	15,112	—
Education	626,847	—	626,847	—
Protection and safety	15,715	—	15,715	—
Natural resources	20,025	—	20,025	—
Unemployment Compensation	—	1,421,986	1,421,986	—
Capital projects	700,997	39,572	740,569	—
Debt service	72,488	34,601	107,089	99,524
Permanent funds and University funds:				
Expendable	64,651	471,604	536,255	—
Nonexpendable	7,809,356	300,801	8,110,157	—
Loans and other financial assistance:				
Expendable	122,598	—	122,598	862,421
Other	—	8,995	8,995	135,886
Unrestricted	5,838,744	402,290	6,241,034	55,756
Total Net Position	\$ 41,312,820	\$ 5,102,579	\$ 46,415,399	\$ 1,208,386

The Notes to the Financial Statements are an integral part of this statement.

STATE OF ARIZONA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022
(Expressed in Thousands)

<u>FUNCTIONS/PROGRAMS</u>	PROGRAM REVENUES			
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS
PRIMARY GOVERNMENT:				
Governmental Activities:				
General government	\$ 1,295,921	\$ 654,890	\$ 2,782,190	\$ —
Health and welfare	26,566,010	747,713	22,075,799	—
Inspection and regulation	249,665	252,394	54,501	—
Education	9,792,491	77,338	1,734,720	—
Protection and safety	1,935,823	106,564	104,110	—
Transportation	1,143,401	44,941	206,365	780,045
Natural resources	292,800	88,986	100,975	—
Intergovernmental revenue sharing	4,844,422	—	—	—
Interest on long-term debt	56,581	—	—	—
Total Governmental Activities	<u>\$ 46,177,114</u>	<u>\$ 1,972,826</u>	<u>\$ 27,058,660</u>	<u>\$ 780,045</u>
Business-type Activities:				
Universities	6,244,746	3,244,938	2,115,168	74,747
Unemployment Compensation	542,802	420,779	1,236,526	—
Other	1,211,075	1,491,958	—	1,708
Total Business-type Activities	<u>\$ 7,998,623</u>	<u>\$ 5,157,675</u>	<u>\$ 3,351,694</u>	<u>\$ 76,455</u>
Total Primary Government	<u>\$ 54,175,737</u>	<u>\$ 7,130,501</u>	<u>\$ 30,410,354</u>	<u>\$ 856,500</u>
COMPONENT UNITS:				
Arizona Finance Authority	\$ 74,677	\$ 84,262	\$ 14,338	\$ —
Other Component Units	90,660	34,625	8,614	—
Total Component Units	<u>\$ 165,337</u>	<u>\$ 118,887</u>	<u>\$ 22,952</u>	<u>\$ —</u>

General Revenues.

Taxes:

Sales

Income

Tobacco

Property

Motor vehicle and fuel

Other

Unrestricted investment earnings

Unrestricted grants and contributions

Gain on sale of trust land

Payments from primary government

Loss on in-substance defeasance

Miscellaneous

Contributions to permanent endowments

Transfers

Total General Revenues, Contributions, and Transfers

Change in Net Position

Net Position - Beginning, as restated

Net Position - Ending

The Notes to the Financial Statements are an integral part of this statement. For beginning net position restatement detail, see Note 8 and 15.L.

STATE OF ARIZONA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2022
(Expressed in Thousands)

	GENERAL FUND	TRANSPORTATION & AVIATION PLANNING, HIGHWAY MAINTENANCE & SAFETY FUND	LAND ENDOWMENTS FUND
ASSETS			
Cash	\$ 153	\$ —	\$ 28
Cash and pooled investments with State Treasurer	11,391,214	702,162	146,533
Collateral investment pool	34,102	—	71,490
Receivables, net of allowances:			
Taxes	1,052,068	72,500	—
Interest	10	—	66,147
Leases	687	21,758	759,401
Loans and notes	41,849	372	715,787
Other	451,806	10,343	2,022
Due from U.S. Government	1,341,670	139,386	—
Due from local governments	108,901	—	—
Due from component units	12,363	—	—
Due from others	434,720	—	—
Due from other funds	135,785	39,293	102
Custodial securities in safekeeping	—	—	—
Inventories, at cost	13,370	402	—
Restricted assets:			
Cash	42	—	—
Cash and pooled investments with State Treasurer	209,466	1,337,361	—
Cash held by trustee	175	2,185	—
Investments	3,682	—	—
Securities held in escheat	78,230	—	—
Endowment investments	—	—	7,065,119
Other	—	—	5
Total Assets	\$ 15,310,293	\$ 2,325,762	\$ 8,826,634
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities:			
Accounts payable and other current liabilities	\$ 542,171	\$ 145,747	\$ 5,832
Accrued liabilities	1,158,265	4,542	739
Obligations under securities loan agreements	34,102	—	71,490
Tax refunds payable	—	8,203	—
Due to U.S. Government	370,574	—	—
Due to local governments	1,540,262	194,931	—
Due to component units	3,428	—	—
Due to others	516,024	—	22,120
Due to other funds	274,498	30,508	9,538
Unearned revenue	2,680,619	1,550	82,414
Total Liabilities	7,119,943	385,481	192,133
Deferred Inflows of Resources:			
Unavailable revenue	1,030,154	32,234	762,477
Related to leases	678	21,617	758,026
Total Deferred Inflows of Resources	1,030,832	53,851	1,520,503
Fund Balances:			
Nonspendable	13,370	402	7,113,998
Restricted	1,179,579	1,065,243	—
Committed	323,371	820,785	—
Unassigned	5,643,198	—	—
Total Fund Balances	7,159,518	1,886,430	7,113,998
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 15,310,293	\$ 2,325,762	\$ 8,826,634

The Notes to the Financial Statements are an integral part of this statement.

OTHER GOVERNMENTAL FUNDS		TOTAL
\$ 5,344	\$ 5,325	
1,675,286	13,915,195	
2,263	107,855	
128,596	1,253,164	
3,569	69,726	
391,206	1,173,052	
	758,008	
513,623	977,794	
22,725	1,503,781	
—	108,901	
	12,363	
—	434,720	
254,059	429,239	
135,651	135,651	
707	14,479	
—	42	
264,981	1,811,808	
66,881	69,241	
—	3,682	
—	78,230	
—	7,065,119	
	5	
\$ 3,464,891	\$ 29,927,580	

\$ 35,880	\$ 729,630	
57,399	1,220,945	
2,263	107,855	
—	8,203	
	370,574	
304,677	2,039,870	
—	3,428	
143,628	681,772	
37,755	352,299	
2,752	2,767,335	
584,354	8,281,911	
 451,237	 2,276,102	
 390,499	 1,170,820	
 841,736	 3,446,922	
 707	 7,128,477	
 774,517	 3,019,339	
 1,263,577	 2,407,733	
 —	 5,643,198	
 2,038,801	 18,198,747	
 \$ 3,464,891	 \$ 29,927,580	

STATE OF ARIZONA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2022
(Expressed in Thousands)

Total fund balances - governmental funds	\$ 18,198,747
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	26,463,494
Right-to-use lease assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	326,279
Certain revenues collected after year-end are not available soon enough to pay for current period expenditures and, therefore, are reported as unavailable deferred inflows of resources in the governmental funds.	2,276,102
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the internal service funds are included in governmental activities in the Statement of Net Position.	(485,754)
The allocation of the internal service funds accumulated net gain results in an amount due to business-type activities, which is not reported in the governmental funds.	(12,110)
Accrued receivable for AHCCCS programmatic costs' reimbursements are not available in the current period and, therefore, are not reported in the governmental funds.	923,963
Net OPEB assets held in trust for future benefits are not available in the current period and, therefore, are not reported in the governmental funds.	121,635
Deferred outflows of resources are applicable to future reporting periods and, therefore, are not reported in the governmental funds. These amounts consist of:	
Loss on refunding of debt	46,409
Related to pensions	1,941,697
Related to OPEB	<u>180,747</u>
	2,168,853
Certain liabilities and related accrued interest are not due and payable from current financial resources and, therefore, are not reported in the governmental funds. These amounts consist of:	
Net pension	(2,705,584)
Net OPEB	(709,477)
Accrued interest on certificates of participation	(3,646)
Revenue bonds	(1,365,585)
Grant anticipation notes	(163,705)
Certificates of participation	(217,410)
Direct placements	(73,320)
Financed purchases	(99,460)
Premiums and discounts on debt	(258,691)
Leases	(328,589)
Compensated absences	(163,706)
Pollution remediation obligations	(72,566)
Utility/railroad settlement accrual and accrued relocation costs	<u>(34,968)</u>
	(6,196,707)
Accrued liabilities for AHCCCS programmatic costs and reimbursements are not due and payable from current financial resources and, therefore, are not reported in the governmental funds.	(1,285,319)
Deferred inflows of resources are applicable to future reporting periods and, therefore, are not reported in the governmental funds. These amounts consist of:	
Gain on refunding of debt	(42,227)
Related to pensions	(758,249)
Related to OPEB	<u>(385,887)</u>
	(1,186,363)
Net position of governmental activities	<u>\$ 41,312,820</u>

The Notes to the Financial Statements are an integral part of this statement.

STATE OF ARIZONA
STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 JUNE 30, 2022
 (Expressed in Thousands)

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS	
	UNIVERSITIES	UNEMPLOYMENT COMPENSATION	OTHER	TOTAL ENTERPRISE FUNDS		
ASSETS						
Current Assets						
Cash	\$ 405,068	\$ 50,896	\$ 23,168	\$ 479,132	\$ —	—
Cash with U.S. Treasury	—	1,456,517	—	1,456,517	—	—
Cash and pooled investments with State Treasurer	239,995	—	227,126	467,121	213,539	—
Short-term investments	297,811	—	—	297,811	—	—
Receivables, net of allowances						
Taxes	—	67,953	—	67,953	—	—
Interest	953	—	1,060	2,013	—	—
Leases	13,804	—	154	13,958	—	—
Loans and notes	3,310	—	—	3,310	—	—
Other	259,239	124,759	29,511	413,509	31,404	—
Due from U.S. Government	294,055	—	—	294,055	—	—
Due from other funds	—	—	—	—	2,061	—
Inventories, at cost	5,936	—	17,894	23,830	3,512	—
Other current assets	32,130	—	233	32,363	20,348	—
Total Current Assets	1,552,301	1,700,125	299,146	3,551,572	270,864	—
Noncurrent Assets						
Restricted assets						
Cash	48,006	—	—	48,006	—	—
Cash held by trustee	218,938	—	—	218,938	—	—
Investments held by trustee	387,675	—	—	387,675	—	—
Receivables, net of allowances						
Leases	191,828	—	433	192,261	—	—
Loans and notes	28,761	—	—	28,761	—	—
Equity interest in joint venture	4,993	—	—	4,993	—	—
Investments	1,399,440	—	318,842	1,718,282	—	—
Endowment investments	737,903	—	—	737,903	—	—
Net OPEB asset	—	—	836	836	1,486	—
Other noncurrent assets	4,441	—	9,911	14,352	—	—
Capital assets						
Land and other non-depreciable	834,756	—	7,455	842,211	—	—
Buildings, equipment, and other depreciable, net of accumulated depreciation	5,839,242	—	72,242	5,911,484	73,047	—
Right-to-use lease assets, net of accumulated amortization	591,341	—	2,574	593,915	—	—
Total Noncurrent Assets	10,287,324	—	412,293	10,699,617	74,533	—
Total Assets	11,839,625	1,700,125	711,439	14,251,189	345,397	—
DEFERRED OUTFLOWS OF RESOURCES						
Related to pensions	354,018	—	6,435	360,453	9,934	—
Related to OPEB	173,904	—	3,385	177,289	2,980	—
Loss on debt refundings	60,869	—	—	60,869	—	—
Interest rate swap	5,842	—	—	5,842	—	—
Total Deferred Outflows of Resources	594,633	—	9,820	604,453	12,914	—

The Notes to the Financial Statements are an integral part of this statement.

(Continued)

STATE OF ARIZONA
STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2022
 (Expressed in Thousands)

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS
	UNIVERSITIES	UNEMPLOYMENT COMPENSATION	OTHER	TOTAL ENTERPRISE FUNDS	
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$ —	\$ 466,731	\$ 985,888	\$ 985,888	\$ —
Receipts from assessments	—	—	—	466,731	—
Receipts from student tuition and fees	2,516,652	—	—	2,516,652	—
Receipts from sales and services of auxiliary enterprises	521,398	—	—	521,398	—
Receipts from sales and services of educational departments	157,580	—	—	157,580	—
Receipts from interfund services / premiums	—	—	—	—	1,081,219
Receipts from grants and contracts	1,007,290	1,115,351	1,708	2,124,349	—
Receipts from student loans collected	2,581	—	—	2,581	—
Receipts from settlement income	—	—	2,202	2,202	—
Receipts from custodial funds	334,471	—	—	334,471	—
Payments to suppliers, prize winners, claimants, or insurance companies	(1,757,615)	(584,131)	(653,433)	(2,995,179)	(984,357)
Payments to employees	(3,495,388)	—	(50,142)	(3,545,530)	(85,054)
Payments to retirees	—	—	—	—	(15,659)
Payments for scholarships and fellowships	(463,213)	—	—	(463,213)	—
Payments for student loans issued	(5,269)	—	—	(5,269)	—
Custodial funds disbursed	(390,831)	—	—	(390,831)	—
Other receipts	105,113	2,508	5,178	112,799	4,243
Other payments	—	—	—	—	(12,538)
Net Cash Provided (Used) by Operating Activities	(1,467,231)	1,000,459	291,401	(175,371)	(2,146)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES					
Receipts from share of State sales tax	124,424	—	—	124,424	—
Receipts from grants and contributions	2,299,190	—	—	2,299,190	—
Transfers from other funds	881,499	62,000	10,870	954,369	8,938
Grants and contributions disbursed	(1,025,542)	—	—	(1,025,542)	—
Distributions	—	—	(14,660)	(14,660)	—
Transfers to other funds	—	(5,130)	(268,332)	(273,462)	(16,541)
Net Cash Provided (Used) by Non-capital Financing Activities	2,279,571	56,870	(272,122)	2,064,319	(7,603)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Proceeds from sale of capital assets	33	—	—	33	2,191
Proceeds from capital debt	190,234	—	—	190,234	—
Receipts from federal subsidy	2,963	—	—	2,963	—
Receipts from capital grants and contributions	64,757	—	—	64,757	—
Transfers from other funds	90,002	—	—	90,002	—
Acquisition and construction of capital assets	(588,082)	—	(5,020)	(593,102)	(2,291)
Interest paid on capital debt and leases	(203,742)	—	(38)	(203,780)	—
Principal paid on capital debt and leases	(219,082)	—	(364)	(219,446)	—
Net Cash (Used) by Capital and Related Financing Activities	(662,917)	—	(5,422)	(668,339)	(100)

The Notes to the Financial Statements are an integral part of this statement.

(Continued)

**STATE OF ARIZONA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2022**
(Expressed in Thousands)

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS	
	UNIVERSITIES	UNEMPLOYMENT COMPENSATION	OTHER	TOTAL ENTERPRISE FUNDS		
CASH FLOWS FROM INVESTING ACTIVITIES						
Proceeds from sales and maturities of investments	764,736	—	131,505	896,241	—	—
Interest and dividends from investments	40,751	19,770	5,311	65,832	6	—
Purchase of investments	(1,086,759)	—	(132,323)	(1,219,082)	—	—
Net Cash Provided (Used) by Investing Activities	(281,272)	19,770	4,493	(257,009)	6	—
Net Increase (Decrease) in Cash and Cash Equivalents	(131,849)	1,077,099	18,350	963,600	(9,843)	—
Cash and Cash Equivalents - Beginning, as restated	1,043,856	430,314	231,944	1,706,114	223,382	—
Cash and Cash Equivalents - Ending	\$ 912,007	\$ 1,507,413	\$ 250,294	\$ 2,669,714	\$ 213,539	—
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES						
Operating income (loss)	\$ (1,709,822)	\$ 1,095,962	\$ 303,828	\$ (310,032)	\$ (95,904)	—
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities	—	—	—	—	—	—
Depreciation and amortization	427,379	—	8,351	435,730	16,222	—
Miscellaneous income (expense)	31,899	—	(33)	31,866	(2,538)	—
Net changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:	—	—	—	—	—	—
(Increase) decrease in receivables, net of allowances	(84,993)	74,286	(8,875)	(19,582)	8,568	—
(Increase) decrease in due from other funds	—	(15)	—	(15)	2,256	—
(Increase) in inventories, at cost	(1,435)	—	(4,664)	(6,099)	(999)	—
(Increase) in other assets	(5,547)	—	(71)	(5,618)	(408)	—
(Increase) in net OPEB asset	—	—	(698)	(698)	(1,331)	—
Decrease in equity interest in joint venture	1,920	—	—	1,920	—	—
(Increase) decrease in deferred outflows of resources related to pensions	(44,485)	—	1,071	(43,414)	(728)	—
Decrease in deferred outflows of resources related to OPEB	37,572	—	746	38,318	832	—
Increase (decrease) in accounts payable	(82,239)	—	1,192	(81,047)	27,598	—
Increase (decrease) in accrued liabilities	(27,820)	21,909	2,655	(3,256)	118	—
Increase (decrease) in due to U.S. Government	—	(48,088)	—	(48,088)	1,016	—
Increase in due to other funds	—	—	—	—	218	—
Increase (decrease) in due to others	4,925	(88,730)	—	(83,805)	—	—
Increase (decrease) in unearned revenue	27,655	(54,865)	(17)	(27,227)	—	—
Increase (decrease) in accrued insurance losses	—	—	(10,978)	(10,978)	19,786	—
(Decrease) in net pension liability	(423,532)	—	(12,382)	(435,914)	(12,275)	—
(Decrease) in net OPEB liability	(202,852)	—	(3,619)	(206,471)	(3,501)	—
Increase in other liabilities	—	—	360	360	23,579	—
Increase in deferred inflows of resources related to pensions	390,588	—	9,637	400,225	11,254	—
Increase in deferred inflows of resources related to OPEB	194,576	—	4,315	198,891	4,091	—
Increase (decrease) in deferred inflows of resources related to leases	(1,020)	—	583	(437)	—	—
Net Cash Provided (Used) by Operating Activities	\$ (1,467,231)	\$ 1,000,459	\$ 291,401	\$ (175,371)	\$ (2,146)	—
SCHEDULE OF NONCASH INVESTING, CAPITAL AND NON-CAPITAL FINANCING ACTIVITIES						
Contribution of capital assets from other funds	\$ —	\$ —	\$ —	\$ —	\$ —	18
Gifts and conveyances of capital assets	11,991	—	—	11,991	—	—
(Loss) on disposal of capital assets, net	(8,335)	—	(387)	(8,722)	—	—
(Decrease) in fair value of investments	(175,165)	—	(53,697)	(228,862)	—	—
(Decrease) in fair value of investments held by trustee	(18,369)	—	—	(18,369)	—	—
Amortization of bond premium	37,259	—	—	37,259	—	—
Intangible right-to-use lease asset additions	55,351	—	—	55,351	—	—
Total Noncash Investing, Capital and Non-capital Financing Activities	\$ (97,268)	\$ —	\$ (54,084)	\$ (151,352)	\$ —	18

The Notes to the Financial Statements are an integral part of this statement.

STATE OF ARIZONA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2022
(Expressed in Thousands)

	PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS	PRIVATE-PURPOSE TRUST FUNDS	CUSTODIAL FUNDS
ASSETS			
Cash	\$ 2,802,545	\$ 3,062	\$ 23,216
Cash and pooled investments with State Treasurer	—	1,573	53,870
Receivables, net of allowances:			
Accrued interest and dividends	49,452	467	3,936
Securities sold	240,847	23,441	—
Capital shares sold	—	1,594	—
Futures contracts	51,082	—	—
Contributions	145,883	—	—
Due from other funds	24,449	—	—
Distributions	—	535	—
Other	11,695	88	1
Total receivables	523,408	26,125	3,937
Investments, at fair value:			
Short-term investments	762,636	125,352	—
Fixed income securities	14,814,111	—	5,839,131
Gold bullion	—	1,962	—
Equity	33,606,098	—	—
Core bonds	572,796	—	—
Private credit	2,016,229	—	—
Real estate	9,652,333	—	—
Diversifying strategies	1,597,555	—	—
Collateral investment pool	651,095	2,175	13,791
Mutual funds	—	1,791,123	—
Registered investment companies	—	39,374	—
Other investments	629,895	—	—
Total investments	64,302,748	1,959,986	5,852,922
Due from others	—	—	70,014
Custodial securities in safekeeping	—	—	316,006
Other assets	—	87	—
Prepaid benefits	295,953	—	—
Net OPEB Asset	271	—	—
Property and equipment, net of accumulated depreciation	7,489	—	—
Total Assets	67,932,414	1,990,833	6,319,965
DEFERRED OUTFLOWS OF RESOURCES			
Related to pensions	2,165	—	—
Related to OPEB	29	—	—
Total Deferred Outflows of Resources	2,194	—	—
LIABILITIES			
Accounts payable and other current liabilities	28,890	212	—
Securities purchased payable	37,484	24,787	—
Management fee payable	—	514	277
Capital shares redeemed payable	—	1,229	—
Cash collateral on securities loaned	—	2,175	—
Obligation under securities loan agreements	651,095	—	13,791
Futures contracts payable	51,296	—	—
Due to others	—	1,225	4
Due to other funds	24,449	—	—
Net pension liability	7,648	—	—
Other liabilities	—	133	—
Total Liabilities	800,862	30,275	14,072
DEFERRED INFLOWS OF RESOURCES			
Related to pensions	2,600	—	—
Related to OPEB	243	—	—
Total Deferred Inflows of Resources	2,843	—	—
NET POSITION			
Restricted for:			
Pension benefits	64,329,977	—	—
Other post-employment benefits	2,800,926	—	—
Pool participants	—	—	5,855,750
Individuals, organizations, and other governments	—	1,960,558	450,143
Total Net Position	\$ 67,130,903	\$ 1,960,558	\$ 6,305,893

The Notes to the Financial Statements are an integral part of this statement.

**STATE OF ARIZONA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2022
(Expressed in Thousands)**

	PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS	PRIVATE-PURPOSE TRUST FUNDS	CUSTODIAL FUNDS
ADDITIONS:			
Member contributions	\$ 1,630,158	\$ —	\$ —
Employer contributions	4,212,421	—	—
Health insurance contributions	5,799	—	—
Non-employer entity contributions	1,160,086	—	—
Contributions from other plans	452	—	—
Other contributions	—	12,934	—
Member purchase of service credit	36,429	—	—
Court fees	10,617	—	—
Investment income:			
Net increase (decrease) in fair value of investments	(1,278,633)	48,698	(64,234)
Interest, dividends, and other	733,863	38,751	26,039
Securities lending income	6,149	—	108
Total investment income	(538,621)	87,449	(38,087)
Less investment expenses:			
Investment activity expenses	258,615	8,511	3,021
Securities lending expenses	89	—	41
Net investment income	(797,325)	78,938	(41,149)
Capital share and individual account transactions:			
Shares sold	—	511,068	6,143,889
Reinvested distributions	—	70,018	22,160
Shares redeemed	—	(458,718)	(5,461,258)
Net capital share and individual account transactions	—	122,368	704,791
Other additions:			
Collections for restitutions	—	—	8,237
Collections for inmates	—	—	99,424
Collections for child support	—	—	648,588
Deposits from applicants	—	—	210,423
Collections from condemnation proceedings	—	—	1,948
Other revenues	7,939	—	452
Total Additions	6,266,576	214,240	1,632,714
DEDUCTIONS:			
Retirement, disability, and survivor benefits	4,883,825	—	—
Health insurance subsidy	127,469	—	—
Refunds to withdrawing members, including interest	326,441	—	—
Administrative expense	43,313	—	—
Distributions to shareholders	—	44,830	—
Allocation to pool participants	—	—	(41,252)
Other deductions	3,429	14,044	—
Distributions to individuals, organizations, and other governments	—	—	971,842
Total Deductions	5,384,477	58,874	930,590
Net increase in Fiduciary Net Position	882,099	155,366	702,124
Net Position - Beginning, as restated	66,248,804	1,805,192	5,603,769
Net Position - Ending	\$ 67,130,903	\$ 1,960,558	\$ 6,305,893

The Notes to the Financial Statements are an integral part of this statement. For beginning net position restatement detail, see Note 8.

STATE OF ARIZONA
COMBINING STATEMENT OF NET POSITION
COMPONENT UNITS
JUNE 30, 2022
(Expressed in Thousands)

	ARIZONA FINANCE AUTHORITY	OTHER COMPONENT UNITS	TOTAL
ASSETS			
Current Assets:			
Cash	\$ 15,764	\$ 30,225	\$ 45,989
Cash and pooled investments with State Treasurer	246,531	253,671	500,202
Cash held by trustee	41,820	—	41,820
Short-term investments	—	85,385	85,385
Restricted investments held by trustee	—	1,183	1,183
Receivables, net of allowances:			
Interest	3,230	—	3,230
Loans and notes	61,118	24	61,142
Other	4,881	9,565	14,446
Lease receivables	—	1,234	1,234
Due from primary government	426	3,002	3,428
Custodial securities in safekeeping	6,822	—	6,822
Other current assets	—	858	858
Total Current Assets	<u>380,592</u>	<u>385,147</u>	<u>765,739</u>
Noncurrent Assets:			
Restricted assets:			
Cash and pooled investments with State Treasurer	11,965	—	11,965
Cash held by trustee	—	22,585	22,585
Investments held by trustee	—	1,805	1,805
Loans and notes receivable, net of allowances	648,445	10,873	659,318
Investments	18,803	151,132	169,935
Other receivables, net of allowances	—	124,484	124,484
Other noncurrent assets	—	21,229	21,229
Capital assets:			
Land and other non-depreciable	—	33,387	33,387
Buildings, equipment, and other depreciable, net of accumulated depreciation	2	119,997	119,999
Right-to-use lease assets, net of accumulated amortization	—	2,576	2,576
Total Noncurrent Assets	<u>679,215</u>	<u>488,068</u>	<u>1,167,283</u>
Total Assets	<u>1,059,807</u>	<u>873,215</u>	<u>1,933,022</u>
DEFERRED OUTFLOWS OF RESOURCES			
Related to pensions	467	151	618
Related to OPEB	—	38	38
Loss on debt refundings	22,713	2,540	25,253
Total Deferred Outflows of Resources	<u>23,180</u>	<u>2,729</u>	<u>25,909</u>

The Notes to the Financial Statements are an integral part of this statement.

(Continued)